

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

March 14, 2021

TO: Honorable Kelly Hancock, Chair, Senate Committee on Business & Commerce

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: SB424 by Hinojosa (Relating to state agency enforcement of laws regulating small businesses.), **As Introduced**

The fiscal implications of the bill are indeterminate. Costs associated with implementing the provisions of the bill are dependent on the number of first time violations of statute or rule by small businesses and the number of those small businesses that are able to remedy the violation. The number of small businesses who would be allowed the opportunity to remedy a first violation of a statute or of a rule administered by a state agency before any penalties are imposed is unknown. According to the Texas Workforce Commission, implementing provisions of the bill could result in a loss of federal funds in the biennium.

The bill would add Section 2006.003, Government Code, which would require a state agency with regulatory authority over a small business adopt a policy that would provide a small business with an opportunity to remedy the business's first violation of a rule or statute administered by that agency.

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Implementing provisions of the bill could have an impact on funding received by the federal government. According to the Texas Workforce Commission (TWC), the U.S. Department of Labor (DOL) has issued an informal opinion, that if implemented, provisions of this bill would not conform with federal requirements to impose mandatory penalties for state unemployment tax avoidance, including first time violations. TWC estimates that this could result in a loss of \$270.9 million in Administrative Grant Funding in the biennium. According to the Texas Commission on Environmental Quality (TCEQ), the U.S. Environmental Protection Agency (EPA) delegates some programs to TCEQ that require certain violations be escalated to enforcement upon discovery, including first time violations. Changes in the enforcement policies required by this bill may require TCEQ to renegotiate program delegation implementation agreements with the EPA.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 312 Securities Board, 320 Texas Workforce Commission, 364 Health Professions Council, 452 Dept of License & Reg, 456 Board of Plumbing Examiners, 458 Alcoholic Beverage Commission, 459 Board of Architectural Examiners, 515 Board of Pharmacy, 582 Commission on Environmental Quality

LBB Staff: JMc, SZ, SD, BRi